

VZCZCXRO9974
PP RUEHCN RUEHGH RUEHVC
DE RUEHBJ #0989/01 1050523
ZNR UUUUU ZZH
P 150523Z APR 09
FM AMEMBASSY BEIJING
TO RUEHC/SECSTATE WASHDC PRIORITY 3434
INFO RUEHOO/CHINA POSTS COLLECTIVE PRIORITY
RUEHME/AMEMBASSY MEXICO 0574
RUEHBU/AMEMBASSY BUENOS AIRES 0232
RUEHMN/AMEMBASSY MONTEVIDEO 0315
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC

UNCLAS SECTION 01 OF 02 BEIJING 000989

STATE PASS USTR
DEPT FOR EEB/TPP/BA, EAP/CM, EAP/EP, WHA/AND, WHA/EPSC, WHA/MEX,
WHA/BSC

SIPDIS
SENSITIVE

E.O. 12958: N/A

TAGS: [ETRD](#) [EINV](#) [PREL](#) [EFIN](#) [CH](#) [AR](#) [UY](#) [MX](#)

SUBJECT: Latin Diplomats on China-Argentine Currency Swap,
Uruguayan State Visit, and China VP Xi's Mexico Trip

Reference: (A)BUENOS AIRES 387 (B) MONTEVIDEO 178 (C) MEXICO 701
(D) 08 BEIJING 4253

11. (U) SUMMARY. In recent separate meetings with Emboffs, Beijing-based diplomats from Argentina, Uruguay and Mexico discussed recent developments in their respective countries' economic relations with China. Argentine diplomats claimed to have no technical details on Argentina's recently-announced currency swap agreement with China, but noted trade tensions stemming from Argentine tariffs on Chinese goods. Uruguayan diplomats were pleased with the recent visit by Uruguayan President Vazquez to China, during which a number of bilateral agreements were signed and Uruguay recognized China as a market economy. Mexican diplomats highlighted commercial agreements signed on Chinese Vice President Xi's recent visit to Mexico, but expressed disappointment over a continued lack of Chinese investment in, and tourism to, Mexico. However, they continue to be optimistic about the success of Mexican companies in China. End Summary.

Argentina: Currency Swap, Outstanding Trade Issues

12. (SBU) Argentine Economic and Commercial Officer in Beijing Juan Carlos Paz told Emboffs that his Embassy did not yet have any details on the recently-announced \$10b Argentina-China currency swap deal (REF A). Mr. Paz said that the deal was finalized in Medellin by the head of the Argentine Central Bank, Martin Redrado, and the People's Bank of China. He noted that it does not need any further approvals but the technical details have not yet been made available. He considered the swap agreement a contingency financing plan. The deal was focused more on financial contingency than facilitating trade, as Argentina already has sufficient existing lines of credit with China, he added.

13. (SBU) Argentina and China have enjoyed healthy trade relations since 2003. China is currently Argentina's second largest trade partner after Brazil. According to Mr. Paz, China and Argentina have a relatively even trade balance, although figures from both countries vary considerably. Argentina granted China "market status" in 2004. However, currently there is some tension between Argentina and China because Argentina has several WTO dumping investigations against China and has imposed tariffs on some Chinese goods, including Chinese toys. China considers these dumping cases unfair, particularly given that China enjoys "market status," and is pushing Argentina to lift these tariffs.

14. (SBU) Another important unresolved trade issue is Chinese approval for Argentine meat imports. Argentine diplomats are frustrated by the lack of progress on this issue. China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) is still imposing barriers to meat and meat

derivative imports from Argentina, he said.

¶5. (SBU) Argentina has not received as much Chinese investment as hoped, Paz stated. He explained that although China claimed to have made \$136m investment in 2007, Argentina's calculations show significantly less. He says that the Chinese calculations are very broad and include items like representational office space, typically not counted as foreign investment. A few significant Chinese investments in Argentina include mineral extraction feasibility studies, manufacturing of electro-domestic goods and IT investments.

Uruguay: Successful Presidential Visit, Market Status for China

¶6. (U) Uruguayan diplomats in Beijing were pleased with Uruguayan President Vazquez's March 21-26 trip to China (REF B). The delegation signed bilateral agreements including MOUs on trade and investment cooperation, economic and trade promotion, and water resource cooperation. They also signed cooperation agreements on sports and entertainment. During his visit, President Vazquez also granted China market economy status.

¶7. (U) Vazquez was accompanied by over 50 Uruguayan entrepreneurs who attended an entrepreneurial forum organized by the Chinese Council for Trade Promotion. Commercial officer Leonardo Olivera said the Chinese delivered a high caliber delegation and the event was very commercially successful for the Uruguayan business delegation. Vazquez also had very positive meetings with the heads of four important Chinese companies (auto manufacturer Chery, wool importers China Textile Resources and State Development and Investment Corporation (SDIC) as well as telecoms giant Huawei). Chery committed to invest another \$12m in its Uruguay plant.

BEIJING 00000989 002 OF 002

¶8. (SBU) Mr. Olivera commented that in 2008, China surpassed Argentina to become the second largest importer of Uruguayan goods. 2008 Uruguayan exports to China totaled \$623m and included wool, wood, soy, leather products and paper pulp. In addition, Uruguay is one of only two countries that have been approved by the Chinese for meat imports. Olivera said that Uruguay has become an attractive destination for Chinese investment due to its stability and its ideal location as a logistics center for the region. The Government of Uruguay does, however, have some concerns about its growing trade deficit with China and is looking for ways to increase Chinese investment in Uruguay.

Mexico: Update on Xi Visit, Increased Cooperation

¶9. (SBU) Chinese Vice President Xi's February visit to Mexico was mainly symbolic and did not result in any substantive new political developments (REF C), Mexican diplomats told Embossos. The real purpose was to signal internationally Chinese interest in Latin America and to build Xi's international credibility at home in China, the diplomats believed. However, during the visit the state-owned China Development Bank (CDB) signed commercial agreements, mainly in the form of letters of intent with no specifics, with several Mexican banks, including the state-owned Banobras and Nacional Financiera (for infrastructure and development work, respectively) and private lender Banamex (a Citigroup subsidiary). Mexican commercial officer Alberto Lima mentioned one deal that included actual figures, an agreement between CDB and America Movil to finance \$1.3 billion of purchases from Huawei. "In one pocket, out the other," said Lima, reflecting his feeling that like most Chinese investments, they are a form of financing Chinese purchases and do not benefit the Mexican economy in the long term.

¶10. (U) Mexican political officer Alejandro Martinez reported that he has noticed an increase in Chinese institutional cooperation with Mexico since China's November 2008 publication of a white paper outlining an updated policy on Latin America (REF D). During the first few months of 2009, he has been contacted by several Chinese government agencies to cooperate on scientific and cultural initiatives.

Promoting Tourism & Investment, Streamlined Visa Regulations

¶11. (U) Mexico is actively promoting Chinese investment in Mexico.

PROMEXICO, a special agency focused on attracting foreign investment and promoting Mexican exports, has opened offices in Shanghai and Guangzhou. In terms of trade financing, EXIM and Banamex have signed treaties but nothing has come of them. Mr. Lima has helped some companies try to access this financing but they were too small and were looking for less than the minimum \$2m. Mexican diplomats feel that the financial crisis has so far not greatly affected Chinese exports to Mexico. They hope that it might lead to additional investment from China.

¶12. (U) Last year only 17,000 Chinese tourists visited Mexico. The Mexican Embassy is making efforts to increase these numbers. On April 2, the Embassy hosted a promotional event with Chinese tourism officials. Another step they have taken to promote both tourism and investment in Mexico is to simplify the visa process, reducing the visa turnover time to 3 days, making their consulate sections in Shanghai and Guangzhou more accessible, and issuing 10-year visas.

¶13. (U) Mr. Lima highlighted that the brightest spot in Mexico-Chinese commercial relations was the success of Mexican companies in China. Brands like Bimbo (bread), Corona (beer), and Sol (beer) have gained significant recognition in China. Other companies like Nemak (high tech aluminum auto parts) and Softtek (IT) are also doing very well.

¶14. (SBU) An agreement with China last fall allows Mexico to maintain some tariffs on Chinese imports that are considered WTO-inconsistent by Beijing. These tariffs now affect only 200 products, and they will slowly be phased out over the next three years. Mr. Lima says that the Chinese reluctantly gave in to this phase-out because they did not want to be viewed as taking advantage of Mexico.

WEINSTEIN